

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>SANDSTONE CHARTER TOWNSHIP</b>	County <b>JACKSON</b>
Audit Date <b>3/31/05</b>	Opinion Date <b>6/9/05</b>	Date Accountant Report Submitted to State: <b>8/19/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>DOVE &amp; HICKEY, PLC</b>			
Street Address <b>209 E WASHINGTON AVE SUITE 255</b>	City <b>JACKSON</b>	State <b>MI</b>	ZIP <b>49201</b>
Accountant Signature <i>Dove &amp; Hickey, P.C.</i>		Date <b>8/19/05</b>	

SANDSTONE CHARTER TOWNSHIP

JACKSON COUNTY - MICHIGAN

FINANCIAL STATEMENTS

Year Ended March 31, 2005

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**Dove & Hickey, P.L.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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ALLISON I. COLE, C.P.A.

INDEPENDENT AUDITOR'S REPORT

Township Board  
Sandstone Charter Township  
Jackson County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sandstone Charter Township as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Sandstone Charter Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Sandstone Charter Township as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 7 the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of March 31, 2005.

The management's discussion and analysis and the budgetary comparison schedule, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sandstone Charter Township's basic financial statements. The combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Dove & Hickey, P.L.C.*

June 9, 2005

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## SANDSTONE CHARTER TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of Sandstone Charter Township's financial performance provides an overview of the Township's financial activities for the year ended March 31, 2005. Please read it in conjunction with the Township's financial statements which follow.

### **Financial Highlights**

The following represents the most significant financial highlights for the year ended March 31, 2005:

- The Township received approximately \$227,500 of additional revenue this year because the Parma Local Development Authority disbursed the 2003 and 2004 captured property taxes in excess of expenditures this year. The Township's proportional share is greater because of the Sec 425 agreement the Township has with the Village of Parma.
- State shared revenue was reduced by the State of Michigan by approximately \$30,000 this year.
- The Township was able to transfer \$10,000 to the Public Improvement Fund to earmark these funds for future capital outlay purchases.

### **Using this Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

## Sandstone Charter Township as a Whole

The following table shows a condensed format of the net assets as of March 31, 2005. the management's discussion and analysis will present a comparative statement of net assets next year when we have two years of statements in this new format:

	GOVERNMENTAL ACTIVITIES
<b>ASSETS</b>	
Current and Other Assets	\$436,806
Non-current - Capital Assets	373,097
<b>TOTAL ASSETS</b>	<b>809,903</b>
<b>LIABILITIES</b>	
Other liabilities	13,050
<b>TOTAL LIABILITIES</b>	<b>13,050</b>
<b>NET ASSETS</b>	
Invested in capital assets - Net of related debt	373,097
Restricted	9,000
Unrestricted	414,756
<b>TOTAL NET ASSETS</b>	<b>\$796,853</b>

The Township's combined net assets for governmental activities total \$796,853 for the fiscal year 2005. Net assets are further segregated between restricted and unrestricted net assets. The restricted net assets, assets that are restricted and invested in capital assets, total \$382,097. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, total \$414,756.

The following table shows the change in net assets for the year ended March 31, 2005.

	GOVERNMENTAL ACTIVITIES
<b>REVENUE</b>	
Program revenue:	
Charges for services	\$ 58,298
General Revenue:	
Property taxes	139,727
State-shared revenues	212,034
Contribution from local units	174,764
Interest	2,788
Cable franchise fees	2,502
Miscellaneous	2,726
<b>TOTAL REVENUE</b>	<b>592,839</b>
<b>EXPENSES</b>	
General government	219,686
Public Safety	154,574
Public Works	44,045
Recreation and culture	820
Other	19,509
<b>TOTAL EXPENSES</b>	<b>438,634</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$154,205</b>

## **Governmental Activities**

Governmental activities are those activities (such as public and fire protection and road improvement) provided to the constituents of the Township and supported by financing from property taxes and state-shared revenues.

The cost of providing services for governmental activities was \$438,634 for the fiscal year 2005. Additionally, revenues for governmental activities totaled \$592,839, which netted to an increase in net assets for the fiscal year of \$154,205.

## **The Township's Funds**

These funds have been established to manage funds for specific purposes: General Fund which pays for most of the Township's governmental services, Public Improvement, Building, and Cemetery. The General Fund is supported by local property taxes and state-shared revenue.

## **Budgetary Highlights**

Over the course of the year, the Township Board monitors the budget, and if necessary, amends the budget to take into account anticipated events that occur during the year. The General Fund balance increased \$159,058.

The following provides specific details regarding the amendments:

- The budget for General Fund total revenues increased \$288,234 compared to the original budget.
- The budget for General Fund total expenditures decreased \$20,293 compared to the original budget.
- The budget for General Fund use/transfer to the Public Improvement Fund decreased \$10,000 compared to the original budget.

The following provides specific details regarding the variances between the final General Fund budget and actual results:

- The actual revenue positive variance was \$264,434.
- The actual expenditures positive variance was \$5,727.
- The actual combined positive variance was \$270,161.

## **Capital Asset**

At the end of the fiscal year 2005, the Township had \$373,097 invested in capital assets (land, buildings, and equipment, net of accumulated depreciation). These assets are necessary to carry out the day-to-day operations of the Township.



## **Economic Factors and Next Year's Budgets and Rates**

Over the past few years the State of Michigan has consistently reduced the amount of state shared revenue allocated to the Township. We expect this trend to continue in 2006.

## **Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the revenue it receives. If you have any questions about this report or need additional information, we invite you to contact Sandstone Charter Township's supervisor.

SANDSTONE CHARTER TOWNSHIP  
GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
March 31, 2005

	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Cash and cash equivalents	\$398,005
Receivables:	
Taxes	4,853
Other	738
Due from other governmental units	33,210
Capital assets - net	<u>373,097</u>
Total assets	<u>809,903</u>
<u>LIABILITIES:</u>	
Accounts payable	<u>13,050</u>
Total liabilities	<u>13,050</u>
<u>NET ASSETS:</u>	
Invested in capital assets - net of related debt	373,097
Restricted:	
Perpetual care	9,000
Unrestricted	<u>414,756</u>
Total net assets	<u>\$796,853</u>

See accompanying notes to financial statements.

SANDSTONE CHARTER TOWNSHIP  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year Ended March 31, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>
			<u>Contributions</u>	<u>Contributions</u>
GOVERNMENTAL				
ACTIVITIES:				
General government	\$219,686	\$ 22,491	\$ -0-	\$ -0-
Public Safety	154,574	31,901	-0-	-0-
Public works	44,045	3,906	-0-	-0-
Recreation and culture	820	-0-	-0-	-0-
Other	<u>19,509</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total governmental activities	<u>\$438,634</u>	<u>\$ 58,298</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

GENERAL REVENUES:

Property taxes  
State-shared revenues  
Contribution from Local Unit  
Investment earnings  
Cable franchise fees  
Miscellaneous  
Total general revenues

CHANGES IN NET ASSETS

NET ASSETS - BEGINNING  
OF YEAR, AS RESTATED

NET ASSETS - END OF YEAR

See accompanying notes to financial statements.

Net (Expense)  
Revenue  
and Changes  
in Net Assets

Governmental  
Activities

(\$197,195)  
(122,673)  
(40,139)  
(820)  
(19,509)

(380,336)

139,727  
212,034  
174,764  
2,788  
2,502  
2,726  
534,541

154,205

642,648

\$796,853

SANDSTONE CHARTER TOWNSHIP  
BALANCE SHEET -  
GOVERNMENTAL FUNDS  
March 31, 2005

	General Fund	Public Improvement Fund	Other Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS:</u>				
Cash and cash equivalents	\$274,776	\$110,763	\$ 12,466	\$398,005
Receivables:				
Taxes	4,853	-0-	-0-	4,853
Other	738	-0-	-0-	738
Due from other governments	<u>33,210</u>	<u>-0-</u>	<u>-0-</u>	<u>33,210</u>
Total assets	<u>\$313,577</u>	<u>\$110,763</u>	<u>\$ 12,466</u>	<u>\$436,806</u>
<u>LIABILITIES AND FUND BALANCES:</u>				
Liabilities:				
Accounts payable	\$ <u>12,085</u>	\$ <u>-0-</u>	\$ <u>965</u>	\$ <u>13,050</u>
Total liabilities	<u>12,085</u>	<u>-0-</u>	<u>965</u>	<u>13,050</u>
Fund balances:				
Reserved for:				
Public improvement	-0-	110,763	-0-	110,763
Perpetual care	-0-	-0-	9,000	9,000
Unreserved, reported in:				
Major Funds	301,492	-0-	-0-	301,492
Non-major Special Revenue funds	-0-	-0-	1,104	1,104
Non-major Permanent fund	<u>-0-</u>	<u>-0-</u>	<u>1,397</u>	<u>1,397</u>
Total fund balances	<u>301,492</u>	<u>110,763</u>	<u>11,501</u>	<u>423,756</u>
Total liabilities and fund balances	<u>\$313,577</u>	<u>\$110,763</u>	<u>\$ 12,466</u>	<u>\$436,806</u>

See accompanying notes to financial statements.

SANDSTONE CHARTER TOWNSHIP  
RECONCILIATION OF FUND BALANCES ON THE  
BALANCE SHEET FOR GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS -  
GOVERNMENTAL FUNDS  
March 31, 2005

Fund balances - total Governmental funds	\$423,756
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	<u>373,097</u>
Net assets of governmental activities	<u>\$796,853</u>

See accompanying notes to financial statements.

SANDSTONE CHARTER TOWNSHIP  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
Year Ended March 31, 2005

	General Fund	Public Improvement Fund	Other Non-Major Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes and penalties	\$146,333	\$ -0-	\$ -0-	\$146,333
Licenses and permits	9,490	-0-	23,845	33,335
State sources	217,008	-0-	-0-	217,008
Contributions from local units	174,764	-0-	-0-	174,764
Interest	1,738	919	131	2,788
Other revenues	<u>18,611</u>	<u>-0-</u>	<u>-0-</u>	<u>18,611</u>
Total revenues	<u>567,944</u>	<u>919</u>	<u>23,976</u>	<u>592,839</u>
EXPENDITURES:				
Current:				
General government	206,065	-0-	2,200	208,265
Public safety	118,031	-0-	23,382	141,413
Public works	41,500	2,545	-0-	44,045
Community and economic development	12,961	-0-	-0-	12,961
Recreation and culture	820	-0-	-0-	820
Other	<u>19,509</u>	<u>-0-</u>	<u>-0-</u>	<u>19,509</u>
Total expenditures	<u>398,886</u>	<u>2,545</u>	<u>25,582</u>	<u>427,013</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>169,058</u>	<u>(1,626)</u>	<u>(1,606)</u>	<u>165,826</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-0-	10,000	-0-	10,000
Operating transfers (out)	<u>(10,000)</u>	<u>-0-</u>	<u>-0-</u>	<u>(10,000)</u>
Total other financing sources (uses)	<u>(10,000)</u>	<u>10,000</u>	<u>-0-</u>	<u>-0-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	159,058	8,374	(1,606)	165,826
FUND BALANCES - BEGINNING OF YEAR, AS RESTATED	<u>142,434</u>	<u>102,389</u>	<u>13,107</u>	<u>257,930</u>
FUND BALANCES - END OF YEAR	<u>\$301,492</u>	<u>\$110,763</u>	<u>\$ 11,501</u>	<u>\$423,756</u>

See accompanying notes to financial statements.

SANDSTONE CHARTER TOWNSHIP  
RECONCILIATION OF STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
March 31, 2005

Net change in fund balance - total Governmental funds	\$165,826
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	2,066
Depreciation on capital assets reported as part of governmental activities	<u>(13,687)</u>
Changes in net assets of governmental activities	<u>\$154,205</u>

See accompanying notes to financial statements.



SANDSTONE CHARTER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Sandstone Charter Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Sandstone Charter Township.

Reporting Entity

Sandstone Charter Township is governed by an elected seven-member Board. The accompanying financial statements present the Township's entities for which the Township is considered to be financially accountable. The Township has no component units.

Joint Ventures

Fire and Police Boards

The Township, Parma Township, and the Village of Parma support and govern the Parma-Sandstone Fire Board and Police Board. The financial statements of the Parma-Sandstone Fire Board and Police Board are not included in this report. The Parma-Sandstone Fire Board and Police Board is administered and employees are paid by the Village of Parma. Forty percent of fire operating expenses, 33-1/3 percent of fire capital outlay, and 35 percent of police operating expenses, which are the Township's portion, are included in these financial statements. Sandstone Charter Township's appropriation for the fiscal year was \$57,170 for fire operations and \$60,861 for police operations, for a total of \$118,031.

Local Development Finance Authority

The Parma Village Local Development Finance Authority (LDFA) which was created pursuant to the provisions of Public Act 281 of 1986, is governed by an eleven (11) member board, which consists of five (5) representatives appointed by the Village of Parma, three (3) representatives appointed by Sandstone Charter Township, two (2) representatives of Western School District, and one (1) each appointed by the County of Jackson and Jackson Community College. All financial operations of the LDFA are included in the Village of Parma's financial statements.

SANDSTONE CHARTER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Local Development Finance Authority (Continued)

The Township conditionally transfers to the Village of Parma jurisdiction over the district area until December 31, 2021. The LDFA captures property taxes within the district over the initial assessed value of the same property (assessed value at the time of the LDFA's creation), multiplied by the millage rates (operating only) of all applicable units of government. The captured property taxes in excess of expenditures are disbursed proportionally to the tax units based on their millage rates, except for the Village of Parma and the Township. The excess attributable to the Village and the Township is to be disbursed entirely to the Township until the Township has received \$445,302, after which the excess will be divided 50 percent to the Village and 50 percent to the Township for the duration of the contract. The excess received for the year ended March 31, 2005 by the Township was \$249,108.

Complete financial statements of the joint ventures can be obtained from the Village of Parma, P.O. Box 127, Parma, MI 49269.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

SANDSTONE CHARTER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, and interest associated with the current fiscal period. All revenue items are considered to be available only when cash is received by the Township.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The Township reports the following major governmental funds:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. General Fund activities are financed by revenue from general property taxes and state-shared revenue.

Public Improvement Fund - The Public Improvement Fund is used to account for revenues and expenditures for public improvements.

Additionally, the Township reports the following fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of earmarked revenue requiring separate accounting because of legal or regulatory provisions.

Permanent Fund - The Permanent Fund accounts for resources that are legally restricted to the extent that only earnings, not principal, may be used for perpetual care of cemetery lots.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

SANDSTONE CHARTER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time they are added to the county tax rolls.

The Township's 2004 tax is levied and collectible on December 1, 2004, and is recognized as revenue in the year ended March 31, 2005, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2004 taxable valuation of the Township totaled approximately \$116,583,000 on which ad valorem taxes levied consisted of .8867 mills for operating purposes. This resulted in \$95,959 for operating. This amount is recognized in the General Fund.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year is referred to as "advances to/from other funds." All property tax receivables are considered to be fully collectible.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

SANDSTONE CHARTER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Assets or Equity (Continued)

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 to 50 years
Furnishings and equipment	3 to 7 years

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and all Special Revenue Funds. All annual appropriations lapse at year end. The proposed budget is submitted to the Township Board 120 days prior to the beginning of the next year. Public hearings are held, and a final budget is adopted no later than March 31. The Township Board must approve any budget amendments.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control is the department level.

The government does not utilize encumbrance accounting.

SANDSTONE CHARTER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Excess of Expenditures Over Appropriations

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended March 31, 2005, the government incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Township Board	\$ 45,000	\$ 48,043	(\$ 3,043)
Clerk	52,000	53,109	(1,109)
Treasurer	33,500	37,221	(3,721)
Public Safety	117,128	118,031	(903)
Other	17,585	19,509	(1,924)

3. DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91, authorizes the local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classification which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in the instruments approved by the State statutory authority as listed above.

The Township's deposits and investment policy are in accordance with statutory authority.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>
Cash and cash equivalents	\$398,005
Investments	<u>-0-</u>
Total	<u>\$398,005</u>

SANDSTONE CHARTER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

3. DEPOSITS AND INVESTMENTS (Continued)

The breakdown between deposits and investments for Sandstone Charter Township is as follows:

	<u>Primary Government</u>
Bank deposits (checking accounts, savings accounts, and certificates of deposits)	\$397,140
Petty cash or cash on hand	<u>865</u>
Total	<u>\$398,005</u>

The bank balance of the primary government's deposits is \$397,739 of which \$204,500 is covered by federal depository insurance.

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Township or its agent in the Township's name.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name; and
3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Township's name.

The Township did not have any categorized investments.

4. INTERFUND TRANSFERS

Interfund transfers reported in the fund financial statements for the year ended March 31, 2005, are as follows:

	<u>Transfers (out)</u> <u>General Fund</u>
Transfers in: Public Improvement Fund	\$ <u>10,000</u>

The interfund transfer from the General Fund to the Public Improvement Fund is to set aside non-tax revenues for future purchases of capital outlay assets.

SANDSTONE CHARTER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

5. CAPITAL ASSETS

Capital asset activity of the Township's governmental activities was as follows:

	Balance <u>April 1, 2004</u>	<u>Additions</u>	Disposals and <u>Adjustments</u>	Balance <u>March 31, 2005</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ <u>104,049</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>104,049</u>
Capital assets being depreciated:				
Buildings and improvements	310,620	-0-	-0-	310,620
Furniture and equipment	<u>98,921</u>	<u>2,066</u>	<u>1,110</u>	<u>99,877</u>
Total capital assets being depreciated	<u>409,541</u>	<u>2,066</u>	<u>1,110</u>	<u>410,497</u>
Less: accumulated depreciation:				
Buildings and improvements	45,729	6,503	-0-	52,232
Furniture and equipment	<u>83,143</u>	<u>7,184</u>	<u>1,110</u>	<u>89,217</u>
Total accumulated depreciation	<u>128,872</u>	<u>13,687</u>	<u>1,110</u>	<u>141,449</u>
Total capital assets being depreciated - net	<u>280,669</u>	<u>(11,621)</u>	<u>-0-</u>	<u>269,048</u>
Total capital assets - net	\$ <u>384,718</u>	(\$ <u>11,621</u> )	\$ <u>-0-</u>	\$ <u>373,097</u>

Depreciation expense was charged to programs as follows:

Governmental activities:	
General government	\$ 13,487
Public Safety	<u>200</u>
Total governmental activities	\$ <u>13,687</u>



SANDSTONE CHARTER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

6. RISK MANAGEMENT

Sandstone Charter Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (worker's compensation). The Township has purchased commercial insurance for employee injury and medical claims, and participates in the Michigan Township Participating Plan risk pool for claims relating to property loss, torts and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The Michigan Township Participating Plan risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

7. ACCOUNTING AND REPORTING CHANGE

As of and for the year ended March 31, 2005, the Township implemented Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. The Sandstone Charter Township has applied the provisions of this statement in the accompanying financial statements (including the notes to the financial statements). The Township has elected to implement both the general provisions of the statement and the retroactive reporting of the infrastructure in the current year. Certain significant changes in the statement include the following:

- A management's discussion and analysis section providing an analysis of the Township's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Township's activities.
- A change in the fund financial statements to focus on the major funds
- Capital assets at April 1, 2004 previously reported in the General Fixed Assets Account Group have been adjusted to reflect the historical cost of the Township's capital assets at the date.

SANDSTONE CHARTER TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

7. ACCOUNTING AND REPORTING CHANGE (Continued)

As a result of implementing GASB 34 for the year ended March 31, 2005, the following restatements were made to the net asset accounts:

	<u>Governmental Activities</u>
Equity at March 31, 2004, as previously reported	\$237,269
Effect of recognizing state-shared revenue received within 60 days of year end	28,536
Effect of recording full accrual information on the government-wide statements:	
Capital assets	384,718
Contracts payable	<u>(7,875)</u>
Net assets - April 1, 2004	<u>\$642,648</u>

## REQUIRED SUPPLEMENTAL INFORMATION

SANDSTONE CHARTER TOWNSHIP  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
Year Ended March 31, 2005

	Original <u>Budget</u>	Amended <u>Budget</u>	<u>Actual</u>	Variance With Amended <u>Budget</u>
REVENUES:				
Taxes and penalties	\$ 78,200	\$ 82,000	\$146,333	\$ 64,333
Licenses and permits	8,110	8,110	9,490	1,380
State sources	182,600	202,600	217,008	14,408
Contributions from local units	-0-	-0-	174,764	174,764
Interest	1,000	1,000	1,738	738
Other revenues	<u>9,800</u>	<u>9,800</u>	<u>18,611</u>	<u>8,811</u>
Total revenues	<u>279,710</u>	<u>303,510</u>	<u>567,944</u>	<u>264,434</u>
EXPENDITURES:				
General government:				
Township Board	45,000	45,000	48,043	(3,043)
Supervisor	48,000	48,000	43,089	4,911
Elections	9,000	9,000	7,958	1,042
Clerk	55,000	52,000	53,109	(1,109)
Board of Review	2,000	2,000	1,938	62
Treasurer	33,500	33,500	37,221	(3,721)
Cemetery	1,000	1,000	1,000	-0-
Township Hall	24,000	21,500	13,707	7,793
Public Safety	117,128	117,128	118,031	(903)
Public Works	51,500	41,500	41,500	-0-
Community and economic development	15,000	15,000	12,961	2,039
Recreation and culture	1,400	1,400	820	580
Other	<u>16,651</u>	<u>17,585</u>	<u>19,509</u>	<u>(1,924)</u>
Total expenditures	<u>419,179</u>	<u>404,613</u>	<u>398,886</u>	<u>5,727</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(139,469)</u>	<u>(101,103)</u>	<u>169,058</u>	<u>270,161</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers (out)	<u>(20,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>-0-</u>
Total other financing sources (uses)	<u>(20,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>-0-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(159,469)</u>	<u>(111,103)</u>	<u>159,058</u>	<u>270,161</u>
FUND BALANCE - BEGINNING OF YEAR, AS RESTATED	<u>159,469</u>	<u>111,103</u>	<u>142,434</u>	<u>31,331</u>
FUND BALANCE - END OF YEAR	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$301,492</u>	<u>\$301,492</u>

See accompanying notes to financial statements.

SANDSTONE CHARTER TOWNSHIP  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE - PUBLIC IMPROVEMENT FUND  
Year Ended March 31, 2005

	Original <u>Budget</u>	Amended <u>Budget</u>	<u>Actual</u>	Variance With Amended <u>Budget</u>
REVENUES:				
Interest	\$ <u>1,000</u>	\$ <u>1,000</u>	\$ <u>919</u>	(\$ <u>81</u> )
Total revenues	<u>1,000</u>	<u>1,000</u>	<u>919</u>	<u>(81)</u>
EXPENDITURES:				
Public Works	<u>113,257</u>	<u>113,389</u>	<u>2,545</u>	<u>110,844</u>
Total expenditures	<u>113,257</u>	<u>113,389</u>	<u>2,545</u>	<u>110,844</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(112,257)</u>	<u>(112,389)</u>	<u>(1,626)</u>	<u>110,763</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	<u>20,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-0-</u>
Total other financing sources (uses)	<u>20,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-0-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(92,257)</u>	<u>(102,389)</u>	<u>8,374</u>	<u>110,763</u>
FUND BALANCE - BEGINNING OF YEAR	<u>102,389</u>	<u>102,389</u>	<u>102,389</u>	<u>-0-</u>
FUND BALANCE - END OF YEAR	<u>\$ 10,132</u>	<u>\$ -0-</u>	<u>\$110,763</u>	<u>\$110,763</u>

See accompanying notes to financial statements.

## OTHER SUPPLEMENTAL INFORMATION

SANDSTONE CHARTER TOWNSHIP  
OTHER SUPPLEMENTAL INFORMATION  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
March 31, 2005

	Non-Major Special Revenue <u>Funds</u> Building <u>Department</u>	Permanent <u>Fund</u>  <u>Cemetery</u>	Total Non-Major Governmental <u>Funds</u>
<u>ASSETS:</u>			
Cash	\$ <u>2,069</u>	\$ <u>10,397</u>	\$ <u>12,466</u>
Total assets	\$ <u>2,069</u>	\$ <u>10,397</u>	\$ <u>12,466</u>
<u>LIABILITIES AND FUND BALANCES:</u>			
Liabilities:			
Accounts payable	\$ <u>965</u>	\$ <u>-0-</u>	\$ <u>965</u>
Total liabilities	<u>965</u>	<u>-0-</u>	<u>965</u>
Fund balance:			
Reserved for:			
Perpetual care	-0-	9,000	9,000
Unreserved	<u>1,104</u>	<u>1,397</u>	<u>2,501</u>
Total fund balance	<u>1,104</u>	<u>10,397</u>	<u>11,501</u>
Total liabilities and fund balances	\$ <u>2,069</u>	\$ <u>10,397</u>	\$ <u>12,466</u>

See accompanying notes to financial statements.

SANDSTONE CHARTER TOWNSHIP  
OTHER SUPPLEMENTAL INFORMATION  
COMBINING STATEMENT OF REVENUE, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS  
Year Ended March 31, 2005

	Non-Major Special Revenue <u>Funds</u> Building <u>Department</u>	Permanent <u>Fund</u> <u>Cemetery</u>	Total Non-Major Governmental <u>Funds</u>
REVENUES:			
Licenses and permits	\$ 23,845	\$ -0-	\$ 23,845
Interest	<u>-0-</u>	<u>131</u>	<u>131</u>
Total revenues	<u>23,845</u>	<u>131</u>	<u>23,976</u>
EXPENDITURES:			
General government	-0-	2,200	2,200
Public Safety	<u>23,382</u>	<u>-0-</u>	<u>23,382</u>
Total expenditures	<u>23,382</u>	<u>2,200</u>	<u>25,582</u>
EXCESS OF REVENUES OVER (UNDER) EXPEN- DITURES	463	(2,069)	(1,606)
FUND BALANCE - BEGINNING OF YEAR	<u>641</u>	<u>12,466</u>	<u>13,107</u>
FUND BALANCE - END OF YEAR	\$ <u>1,104</u>	\$ <u>10,397</u>	\$ <u>11,501</u>

See accompanying notes to financial statements.



# **Dove & Hickey, P.L.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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Phone (517) 796-8880 • Fax (517) 796-8777

MEMBERS:

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

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PAUL T. HICKEY, C.P.A.  
NANNETTE M. SPONSLER, C.P.A.  
ALLISON I. COLE, C.P.A.

June 28, 2005

Township Board  
Sandstone Charter Township  
Jackson County, Michigan

Board Members:

In planning and performing our audit of the financial statements of Sandstone Charter Township for the year ended March 31, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

However, during the audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated June 9, 2005, on the financial statements of the local unit. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. Our comments are summarized as follows:

Budgets

P.A. 621 of 1978, as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. The Township incurred expenditures in excess of amounts appropriated in four activities: Township Board (\$3,043); Clerk (\$1,109); Treasurer (\$3,721); and Other (\$1,924). The Township should amend its budget before this occurs.

We also suggest that the Township consider adopting the budget using the general appropriations act resolution. A copy can be found on the MTA's website.

#### Approval of Expenditures

The Public Improvement Fund reimbursed the General Fund for a portion of a road improvement expenditure. The Board minutes did not document the approval of the portion paid by the Public Improvement Fund, only the expenditure from the General Fund. We suggest that the Board minutes clearly indicate the Board's intentions of which fund is paying for such expenditures.

#### Capitalization Policy

We suggest that the Township Board adopt a capitalization policy for fixed assets. The policy should include the minimum cost of assets purchased to be accounted for in the equipment expenditure account. These assets will be capitalized and depreciated in the GASB 34 financial statements.

#### Cemetery Expenditures

We suggest that the Township Board request a legal opinion regarding the disbursements to the cemetery associations for maintenance of cemeteries within the Township.

We believe that implementation of these recommendations will provide the Township with a stronger system of internal accounting control while also making its operations more efficient. We will be happy to discuss the details of these recommendations with you and assist in any way possible with their implementation. This report is intended solely for the information and use of the Township Board, management, and others within the Township and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to serve you. If you have any questions regarding this letter, please contact us.

Respectfully yours,

*Dove & Hickey, P.C.C.*